A STUDY ON CONSUMER BEHAVIOUR TOWARDS HEALTH INSURANCE

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ABSTRACT

Health is wealth. India is gradually becoming health conscious. Indians have realized the importance of health insurance. Owing to this realization, the medical insurance sector is one of the fastest growing segments in India today. The new economic policy and liberalization process followed by the Government of India since 1991 paved the way for privatization of insurance sector in the country. . According to the Investment Commission of India the healthcare sector has experienced phenomenal growth of 12 percent per annum in the last 4 years. All rising income levels and growing elderly population factors are driving this growth. In addition, changing demographics, disease profiles and the shift from chronic to lifestyle diseases in the country has led to increased spending on healthcare insurance products. The study aims to evaluate the consumers' awareness level of awareness about health insurance and the factors influenced them in selection of policy(s). It was found that consumers are aware of insurance schemes. And certain factors such as policy features, policy benefits have significant influence on the selection of insurance policy and purpose of holding it.

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INTRODUCTION

Health is wealth. India is gradually becoming health conscious. Indians have realized the importance of health insurance. Owing to this realization, the medical insurance sector is one of the fastest growing segments in India today.

The new economic policy and liberalization process followed by the Government of India since 1991 paved the way for privatization of insurance sector in the country. Health insurance, which remained highly underdeveloped and a less significant segment of the product portfolios of the nationalized insurance companies in India, is now poised for a fundamental change in its approach and management. The Insurance Regulatory and Development Authority (IRDA) Bill, recently passed in the Indian Parliament, is important beginning of changes having significant implications for the health sector. About Rs 6,000 crore worth of health insurance business in the country is managed by Insurers from the public sector: National Insurance Company, New India Assurance, Oriental Insurance and United India Insurance. But the health insurance market covers very smaller part of the total population (about 10per cent) in India. Presently, schemes like Voluntary health insurance schemes or private-for-profit schemes; Employer-based schemes; Insurance offered by NGOs / community based health insurance, and Mandatory health insurance schemes or government run schemes (ESIS, CGHS) are found in India. The Indian healthcare industry is seen to be growing at a rapid pace and is expected to become US$280 billion industry by 2020. The Indian healthcare market was estimated at US$35 billion in 2007 and is expected to reach over US$70 billion by 2012 and US$145 billion by 2017. According to the Investment Commission of India the healthcare sector has experienced phenomenal growth of 12 percent per annum in the last 4 years. All rising income levels and growing elderly population factors are driving this growth. In addition, changing demographics, disease profiles and the shift from chronic to lifestyle diseases in the country has led to increased spending on healthcare insurance products.

Health Insurance in India

The health care system in India is characterized by multiple systems of medicine, mixed ownership patterns and different kinds of delivery structures. Exhibit: 1 provides the description of key stakeholder in private health insurance and their inter-relationships.

EXHIBIT:1

STANDARD HEALTH INSURANCE MODEL I
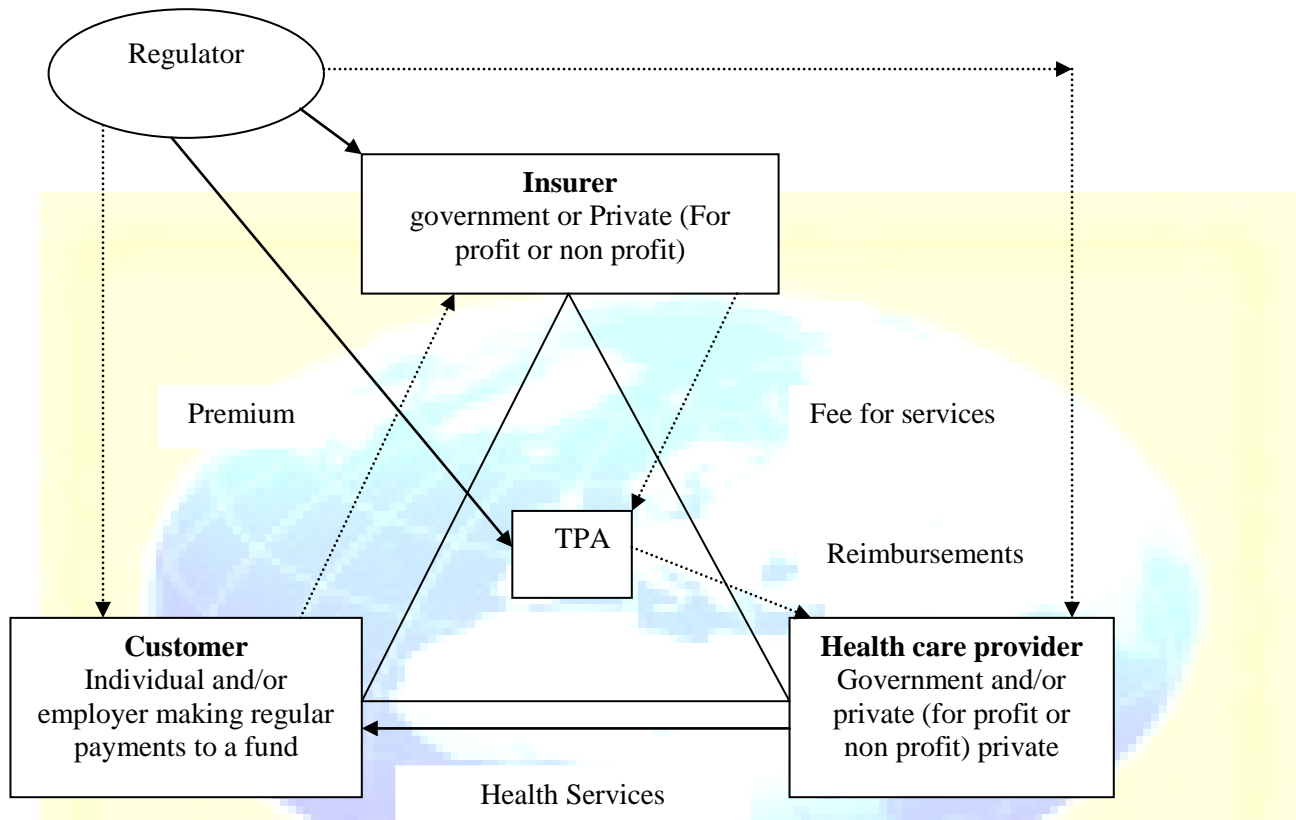
From the above exhibit, we can see that there are three main stakeholders in the health insurance system. These are insurance companies, healthcare providers, and customers. Other than these, two more parties which are important and involved in the process are third party administrators (TPA) and regulator.

REVIEW OF LITERATURE

Jama (1997)[3] discusses the needs, challenges, and potential action steps for increasing the prominence of the user's perspective in 3 areas: (1) the conceptualization and definition of quality; (2) the measurement of quality; and (3) routine quality assessment and improvement. The article concludes by making recommendations about

the role that different agencies and organizations can and should play in meeting these challenges.

Kronick and Gilmer (1999)[6] says that healthcare expenditure is another important variable affecting health insurance purchase. Relation of health insurance purchase decision and health expenditure is based in the premise that families which have higher chances of requiring hospitalization will have higher probability of buying health insurance. Some other socio-economic factor like age, education etc, have also been to be important factors affecting health insurance purchase.

Reagan, Brostoff and Hofmann (2001)[8] Indian insurance market (both life and health) is a practically untapped market and therefore, offers immense potential to all the players both new and old. Furthermore the rise in purchasing power of people owing to high disposable income has also made the Indian market very attractive. The insurance companies today are leaving no stone unturned to entice the customers. The competition has increased tremendously as growing numbers of competitors selling essentially the same products have entered the field from outside the traditional insurance industry

According to Barrett and Conolon (2003)[13] health insurance choice essentially entailed a simple decision-whether or not to purchase private health insurance. Binary discrete choice models using either logit or probit has been used to analyse determinates of this type of purchase decision.

Ramesh Bhat and Nishant Jain (2007)[20] in their empirical work health insurance schemes are increasingly recognized as preferable mechanisms to finance health care provision. In this direction micro health insurance schemes and community based health insurance schemes are assuming significant importance n reaching, large number of people. The study uses two-state model to examine this issue. First, we determine the factors which affect the insurance purchase decisions and at second level we focus on studying factors which affect the amount of insurance purchase using heckman tow stage estimation procedure.

OBJECTIVES OF THE STUDY

- To know the socio-economic status of health insurance policy takers' in the study area.
- To evaluate the consumers' awareness level of awareness about health insurance .
- To analyze the factors influencing the consumers in selection of policy(s).

RESEARCH METHODOLOGY

The study is both explorative and descriptive in nature. First stage of the research was exploratory in nature. This was done in two phases. The initial phase was to undertake consists of detailed review of secondary data available on health insurance business in India, its growth and development and the perception of policy holders towards it. The second phase of review of literature helped the researcher in framing questionnaire for the study. Second stage of the study was descriptive research, which was carried out at the second stage by applying a survey method. Data for the study were collected from health insurance policy holders in Coimbatore city. The tool used for data collection is a well structured questionnaire.

AREA OF THE STUDY

Coimbatore city is selected as the area of the study. Growing income level and rapid economic changes among the households in Coimbatore city has motivated the researcher to select this region for the field research.

SAMPLE SIZE

In India nearly twenty three insurance companies are currently providing health insurance services. In the current study a blind fold survey was conducted, that is the respondents are not classified on the bases of the service providers. The study is based on cluster analysis. The entire geographical area of Coimbatore city is divided into four North, South, East and West Zone. From each zone a sample of fifty (50) respondents' were chosen as survivable population that is summed to two hundred in totals. A convenient sampling technique has been adopted by the researcher for collection of primary data. Primary data base of the policy holders' were collected from the respective insurance company agents and based on the information gathered. The respondents' were chosen for data collection with help of references groups, friends, relatives, neighbours etc.

DATA SOURCE

The data base of the study consists of both primary and secondary data that helped the researcher in systematic frame work of the study. The well structured questionnaire become basic data collection tool for collection of primary data. The secondary data are collected from books, journals, magazines, research works and from insurance related books and web-sites.

STATISTICAL TOOLS APPLIED

The data collected through the well structured interview schedule were classified and tabulated for analysis in accordance with the outline laid down for the purpose of justifying the objective framed at the time of developing research design. The statistical tools applied in this study are:

- Frequency distribution
- Weighted Average
- Likert's Scaling Technique
- One-Way ANOVA
- Rotation Factor Analysis

DATA ANALYSIS AND INTERPRETATION

TABLE : 1 Demographic Profile of the respondents				
S.No	Demographic characteristics	Classification	Number of respondents	Percentage
1	Sex	Male	125	62.5
		Female	75	37.5
2	Age	Below 20 years	9	4.5
		21-30 years	76	38
		31-40 years	61	30.5
		41-50 years	40	20
		51-60 years	14	7
3	Education	up to HSC	20	10
		Graduate	86	43
		Post Graduate	50	25
		ITI / Diploma	31	15.5

		Others	13	6.5
4	Occupation	Business	35	17.5
		Government Employee	35	17.5
		Private employee	69	34.5
		Professional	38	19
		Others	23	11.5
5	Marital status	Married	130	65
		Unmarried	70	35
6	Annual Income	Rs.1-2 lakhs	47	24.7
		Rs.2-3 lakhs	64	33.7
		Rs.3-4 lakhs	34	17.9
		Rs.4-5 lakhs	40	21.1
		Above 5 lakhs	5	2.6

It has been inferred that majority of the respondents of the current study are male i.e., 62.50 per cent and they are primarily fall under that age category of 21-30 years i.e., 25 per cent. Whereas 13.50 per cent women policy holders are aged between 31-40 years. It has been inferred that 43 per cent of the health policy holders are graduates and it is assumed they were aware of health insurance and 34.50 per cent of the respondents' employed in private institutions. It has been observed that 65 per cent of health insurance policy holders in the study area are married and 33.70 per cent of the respondents' yearly earning income ranges within Rs. 2-3 lakhs.

AWARENESS ABOUT HEALTH INSURANCE AND THE FACTORS INFLUENCED THE POLICY HOLDERS

TABLE : 2 PURPOSE STATED BY THE RESPONDENTS FOR OWING A HEALTH INSURANCE POLICY

Sl. No	Scheme	No. of the Respondents	Percentage
1	Expenses to cover hospitalization	60	30.00
2	Unexceptional risk	96	48.00
3	Tax benefit	35	17.50
4	Others	9	4.50
	Total	200	100

Source: Primary Data

The above table indicates that out of 200 respondents surveyed that 48per cent of them are aware of unexceptional risk covered by medi-claim policies and this is stated as the primary reason of products related features influence on them for owing a health insurance policy and 97 per cent of the sample populations' are aware of health expenses covered by their health insurance policy.

TABLE : 3 AWRENSS ON NATURE OF EXPENSES COVERED BY THE HEALTH INSURANCE CLAIM

Sl. No	Nature	No. of the Respondents N=200	Proportionate Percentage
1	Hospitalization expenses	194	97.00
2	Boarding and nursing expenses	118	59.00
3	Surgeon's fees, Consultant's fees, Anesthetist's fees	139	69.50
4	Cost of medicines and drugs.	78	39.00
5	Emergency ambulance charges for transporting the insured patient.	122	61.00
6	Pre-hospitalization expenses upto 30 days before the date of admission into the hospital	77	38.50
7	Room rent, boarding expenses and nursing expenses	117	58.50

	up to 1% of sum insured per day. It also includes nursing care, RMO charges, Fluid / Blood		
8	Transfusion / Injection administration charges	86	43.00
9	In case of admitted in ICU, the double the sum insured per day	94	47.00
10	Surgeon / Anesthetists/ Consultants / Medical Practitioner / Specialist Fees	96	48.00
11	Anesthetists, blood, oxygen, operation theatre charges, surgical appliances, cost of medicines and drugs, diagnostic materials, x-ray, dialysis, chemotherapy, radiotherapy, artificial limbs, pacemaker and other similar expenses.	96	48.00
12	Hospitalization expenses (excluding cost of organ) incurred for donor in respect of organ transplant	70	35.00
13	Pre and post hospitalization are covered up to 30 days prior to hospitalization and 90 days after hospitalization	77	38.50
14	Critical illnesses are covered under a sub limit of each hospitalization	10	5.00

Source: Primary Data

The above table in detail list out respondents' awareness towards various expenses covered under a particular health insurance scheme. From the above table it has inferred that 97 per cent of the sample populations' are aware of health expenses covered by their health insurance policy. Followed by 69.50 per cent have gather good information on the surgeon's fees, Consultant's fees, Anesthetist's fees covered under their health insurance scheme.

A list of ten variables were framed as queries those rose information on the most influencing factors that effected the sample respondents' to own a health insurance policy. As per the results of sample survey it has inferred that influences of reference by family / friends has been scored first with high mean score of 4.15 on Likert's scale of five.

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TABLE : 4 FACTORS INFLUENCED CUSTOMERS' IN SELECTION OF INSURANCE POLICY

Reasons of choice	Very High	High	Moderate	Very Low	Low	Total Sum	Weighted Mean	Rank
Reference by family / friends	83(41.50)	75(37.50)	37(18.50)	2(1.00)	3(1.50)	830	4.15	1
Regulation of the government	41(20.50)	90(45.00)	36(18.00)	31(15.50)	2(1.00)	738	3.69	8
Reputation / reliability of the service provider	36(18.00)	66(33.00)	80(40.00)	11(5.50)	7(3.50)	708	3.54	10
Low service / processing cost	39(19.50)	79(39.50)	53(26.50)	17(8.50)	12(6.00)	711	3.56	9
Influence of the sales people	61(30.50)	90(45.00)	36(18.00)	7(3.50)	6(3.00)	799	4.00	2
Wise options	67(33.50)	64(32.00)	45(22.50)	15(7.50)	9(4.50)	762	3.81	3
High return on investment	54 (27.00)	77(38.50)	42(21.00)	16(8.00)	11(5.50)	745	3.73	6
Reference by workplace	54(27.00)	81(40.50)	38(19.00)	18(9.00)	9(4.50)	755	3.78	5
Healthy Political and legal situations	54(27.00)	74(37.00)	43(21.50)	21(10.50)	8(4.00)	746	3.73	6
Miscellaneous	68(34.00)	61(30.50)	44(22.00)	18(9.00)	9(4.50)	760	3.80	4

Source: Primary Data

To measure the degree of association between the purpose stated by the sample population for holding a health insurance policy and the influences of varies factors on them, the following hypothesis is framed and the same is tested with the help of one-way ANOVA test.

Ho: There exists no association between the purposes stated by the health insurance customers' for owing a policy and the factors that influenced them in selection of insurance service provider(s).

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TABLE: 5

RESULT OF ANOVA TEST

FACTORS INFLUENCED CUSTOMERS' IN SELECTION OF INSURANCE POLICY

Variables	Source	Sum of Square	DF	Mean Square	F	Sig
Reference by family / friends	Between Groups	2.155	3	.718	.955	.415
	With in Groups	147.400	196	.752		
	Total	149.555	199			
Regulation of the government	Between Groups	2.123	3	.708	.704	.551
	With in Groups	197.032	196	1.005		
	Total	199.155	199			
Reputation / reliability of the service provider	Between Groups	5.741	3	1.914	2.091	.103
	With in Groups	179.414	196	.915		
	Total	185.155	199			
Low service / processing cost	Between Groups	1.362	3	.454	.385	.764
	With in Groups	231.358	196	1.180		
	Total	232.720	199			
Influence of the sales people	Between Groups	2.848	3	.949	1.058	.368
	With in Groups	175.907	196	.897		
	Total	178.755	199			
No other options	Between Groups	5.092	3	1.697	1.376	.251
	With in Groups	241.783	196	1.234		
	Total	246.875	199			
High return on investment	Between Groups	.723	3	.241	.193	.901
	With in Groups	244.232	196	1.246		
	Total	244.955	199			
Reference by workplace	Between Groups	9.664	3	3.221	2.815	.051
	With in Groups	224.291	196	1.144		
	Total	233.955	199			
Healthy Political and	Between Groups	4.020	3	1.340	1.123	.341

legal situations	With in Groups	233.855	196	1.193		
	Total	237.875	199			
Miscellaneous	Between Groups	4.420	3	1.473	1.141	.334
	With in Groups	252.975	196	1.291		
	Total	257.395	199			

Level of Significance: 5 per cent

From the above table it has inferred that the calculated F-values for all the 10 variables are greater than the significances value at five per cent. Therefore, the hypothesis framed stands rejected. It is concluded that there exists association between the purposes stated by the health insurance customers' for owing a policy and the factors that influenced them in selection of insurance service provider(s).

Factor analysis is a statistical technique widely used in analyzing psychological, social sciences and business data. In business research, factor analysis is usually applied to correlation between the variables under study. In the current study factor analysis is applied to measure relationships among purpose of owing a health insurance policy and interrelated factor variables are examined and represented in terms of a few underlying factors.

COMMUNALITIES

FACTORS INFLUENCED CUSTOMERS' IN SELECTION OF INSURANCE POLICY

Variables	Initial	Extraction
X_1 Reference by family / friends	1.000	.956
X_2 Regulation of the government	1.000	.726
X_3 Reputation / reliability of the service provider	1.000	.804
X_4 Low service / processing cost	1.000	.896
X_5 Influence of the sales people	1.000	.839
X_6 Wise options	1.000	.880
X_7 High return on investment	1.000	.948
X_8 Reference by workplace	1.000	.822
X_9 Healthy Political and legal situations	1.000	.943
X_{10} Miscellaneous	1.000	.912

Extraction Method: Principal Component Analysis

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In order to provide a more parsimonious interpretation of the results, 10-item scale was then Factor analyzed using the Principal Component method with Varimax rotation.

TOTAL VARIANCE

FACTORS INFLUENCED CUSTOMERS' IN SELECTION OF INSURANCE POLICY

Components	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	Per cent of Variances	Cumulative per cent	Total	Per cent of Variances	Cumulative per cent	Total
1	2.959	29.592	29.592	2.959	29.592	29.592	2.805
2	2.598	25.980	55.571	2.598	25.980	55.571	2.593
3	2.063	20.628	76.199	2.063	20.628	76.199	2.114
4	1.106	11.059	87.259	1.106	11.059	87.259	1.497
5	.754	7.541	94.800				
6	.444	4.438	99.238				
7	.076	.762	100				
8	1.969	1.969	100				
9	-6.537	-6.537	100				
	-1.239	-1.239	100				

Extraction Method: Principal Component Analysis

In Table: 4.19 reported above the factor loadings are represented in the rotated component matrix. As may be known by now, these factor loadings are important for the interpretation of the factors, especially the high ones. In this section of the study four factors were identified as being maximum per centage variance accounted above one. In oblique

rotation, interpretation of the factors mostly takes place by examining the pattern matrix. The pattern matrix is represented below Table: 4.20.

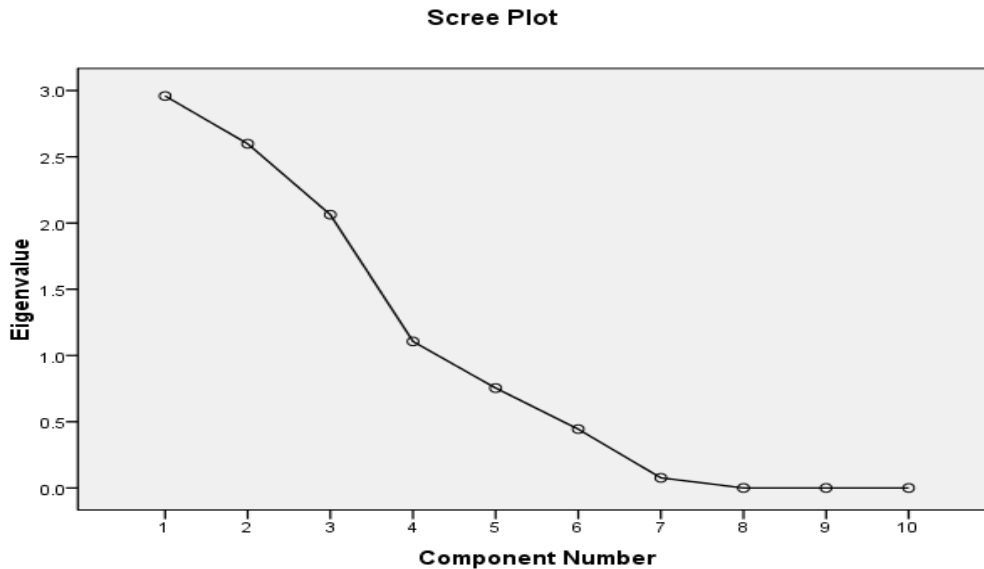**FACTORS INFLUENCED CUSTOMERS' IN SELECTION OF INSURANCE POLICY**

Factors	Components			
	To Cover Hospitalization Expenses	Unexceptional risk	Tax benefit	Others
X_1Reference by family / friends	-.925	-	-	-
X_2Regulation of the government	.776	-	-	-
X_3Reputation / reliability of the service provider	-	-	-.888	
X_4Low service / processing cost	-	-	-	.944
X_5Influence of the sales people	-	-	.927	-
X_6Wise options	-	.938	-	-
X_7High return on investment	-.533	-.648	-	-
X_8Reference by workplace		.590	-	-
X_9 Healthy Political and legal situations	.856	-	-	-
X_{10} Miscellaneous	-	.874	-	-

Extraction Method: Principal Component Analysis.

Rotation Method: Oblimin with Kaiser Normalization.

The four factors are grouped in the above table. The variable X_1, X_2 , X_7, and $X_9$is grouped as factor I and it accounts for 29.59 per cent of the total variance. The variable X_6, X_7 ,X $_8$and X_{10}constitute the factor II and it accounts for 25.98 per cent of the total variance. The variable $X_3$and X_5 is grouped as factor III and it accounts for 20.63 per cent of the total variance. The variable X_{12} and X_{13} is grouped as factor IV and it accounts for 6.607 per cent of the total variance. The variable X_{45} is grouped as factor V and it accounts for 11.064 per cent of the total variance.

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SCREE PLOT

FACTORS INFLUENCED CUSTOMERS' IN SELECTION OF INSURANCE POLICY

Scree Plot

TABLE: 6

FACTOR ANALYSIS OF ASSOCIATION OF FACTORS INFLUENCED CUSTOMERS' IN SELECTION OF INSURANCE POLICY AND PURPOSE OF OWING A PLOICY

Factors	Factor interpretation	Variables included in the factors	Cronbanch's Alpha
F_1	To Cover Hospitalization Expenses	Reference by family / friends, Regulation of the government, High return on investment and conducive Political and legal situations	.723
F_2	To Meet Unexceptional risk	Wise options, High return on investment, Reference by workplace and Miscellaneous factors	.683
F_3	To avail Tax benefit	Reputation / reliability of service providers and Influence of the sales people	.655

F₄	Others	Low service / processing cost	.601

Source: Computed From Primary Data

      The most widely used measure to assess the internal consistency of constructs is Cronbach's alpha. The generally agreed upon value of Cronbach's alpha is 0.70, although it may decrease to 0.60 in case of exploratory research (Hair et al. 2006; pp.137). The result of reliability analysis declares that the Cronbanch's Alpha value .723, .683, .655 and .655 establishes significant and positive association between the variables tested. It establishes the existence of internal constancy with data collected at time of filed survey. The results of the test establish consistency in the opinion of respondents towards the factors influences them to select a health insurance company and the purpose of owing an insurance policy.

TABLE : 7 CUSTOMERS' OPINION ON INFLUENCES OF POLICIES FEATURES AND BENEFITS

Sl. No	Factors	Very much Influenced	Somewhat Influenced	Not at all	Total Sum	Weighted Mean	Rank
	Policy Features						
1.	Claim Cover	135(67.50)	57(28.50)	8(4.00)	527	2.64	1
2.	Risk Coverage	128(64.00)	59(29.50)	13(6.50)	515	2.58	2
3.	Savings	85(42.50)	88(44.00)	27(13.50)	458	2.29	5
4.	Tax benefits	102(51.00)	72(36.00)	26(13.00)	476	2.38	4
5.	Trust of Insurer	106(53.00)	70(35.00)	24(12.00)	482	2.41	3
	Policy Benefits						
6.	Bonus	108(54.00)	64(32.00)	28(14.00)	480	2.40	4
7.	Premium Amount	118(59.00)	71(35.50)	11(5.50)	507	2.54	2
8.	Amount claim offered at the time of maturity	116(58.00)	61(30.50)	23(11.50)	493	2.47	3
9.	Family Production	150(75.00)	38(19.00)	12(6.00)	538	2.69	1

Source: Primary Data

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From the above table it has inferred that on the Likert's scale of three on an average 2.64 respondents have primarily opined that they were very much influenced by the health insurance claim covered offered by their service providers. Followed by 2.58 on a mean scale of three have said that they were influenced by risk coverage offered in the health insurance package. Trust of insurer, tax benefits offered by the policy and saving option to meet out ill health need is ranked in the third, fourth and fifth places, with a mean score of 2.41, 2.38 and 2.29, respectively.

Similarly it has inferred that on an average 2.69 respondents out of every three have primarily opined that they were very much influenced by family protection benefits offered by their health insurance policy scheme. Followed by 2.54 persons appreciated the premium amount payment benefits they experiences under their health insurance scheme that duly influence them to own a health insurance policy. Influences of policy benefits like: amount of claim offered at the time of maturity and bonus benefits are ranked in the third and fourth places with mean score of 2.47 and 2.40, respectively.

The existence of association between the purposes stated for owing health insurance policy by customers' and the influences of products features and benefits on the policy holders, the following hypothesis is framed and it is measured with the help of Chi-Square test.

Ho: There exists no relationship between the purposes stated for owing health insurance policy by customers' and the influences of products features and benefits on them.

<div align="center">

TABLE: 8

RESULT OF CHI-SQUARE TEST

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INFLUENCES OF POLICIES FEATURES BENEFITS ON CUSTOMERS' AND PURPOSES OF POLICY HOLDING

Sl. No	Factors	Chi-Square Value	DF	Significance Value
Influences of Policy Features				
1.	Claim Cover	4.033	6	.672
2.	Risk Coverage	7.353	6	.289
3.	Savings	5.454	6	.487
4.	Tax benefits	10.736	6	.097

5.	Trust of Insurer			
Influences of Product Benefits				
6.	Bonus	22.338	6	.001
7.	Premium Amount	3.919	6	.688
8.	Amount offered at the time of maturity	4.759	6	.575
9.	Family Production	2.397	6	.880

Level of Significance: 5 per cent

From results of chi-square test it has observed that calculated values are greater than significance values for the eight variables tested. Except, in case on customers' perception on the influences of bonus facilities on them. Therefore, the hypothesis framed stands rejected. And it has concluded that there exists significant relationship between the purposes stated for owing health insurance policy by customers' and the influences of products features and benefits on them.

CONCLUSION

The Indian Health Insurance Industry has been growing constantly in the last few years, even though it cannot be compared to the size of health insurance sectors of the rest of the world. The reason for this leaping growth rate is the fact that health insurance schemes are tremendous tax saving instruments. It has been found from this study that consumers are aware of insurance schemes. And certain factors such as policy features, policy benefits have significant influence on the selection of insurance policy and purpose of holding it. This reveals that there are very few people who actively search out health insurance but are willing to take it up when it is provided conveniently. Hence, accessibility and awareness take special importance for the industry.

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